HIGHLIGHTS

• Retail sales rose 0.1% in April after retreating 0.5% in March.
• Auto sales increased 1.0% after March’s 0.6% drop. Excluding autos, sales fell 0.1% following a 0.4% decline.
• Aside from automobiles, renovation centres, clothing stores and nonstore retailers showed solid increases.
• Gas station sales fell 4.7% on the sharp drop by gas prices. Excluding autos and gas, sales increased 0.6% in April.
• Grocery stores also saw sales pull back.

COMMENTS

Usually, an uptick of just 0.1% by retail sales is not very encouraging. However, the fact that the nosedive by gas prices is mainly responsible for the softness in sales means that much of the worry is allayed. Without gas stations, sales increased 0.7%, the strongest rise to date in 2013.

The rise by automobile sales is quite surprising, as the number of new motor vehicles, as published at the start of the month, was down 2.3%. The rise in retail motor vehicle sales is probably due to a range or price effect. For the latter, the increase may not be as evident in real consumption.

Another factor that should not affect real consumption (negatively, this time) is the tumble in the value of gas station sales. The pullback is mainly due to a price effect (which could persist in May). On the other hand, the drop in gas prices is good for real income and consumer confidence, supporting the rest of consumption. Most retailers thus saw sales accelerate nicely in April, a situation that could continue this month.

Implications: April’s soft sales growth discuses a solid performance once we eliminate the drop in gas station sales. As a result, consumption could show better growth this spring than initially forecast. The revisions to March’s figures could also support a slight upward change to real GDP growth for the first quarter.

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